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LOK SABHA

The following Bill was introduced in the Lok Sabha on 18th April, 1955:—

BILL NO. 20 OF 1954

A Bill further to amend the Reserve Bank of India Act, 1934.

Be it enacted by Parliament in the Sixth Year of the Republic of India as follows:—

1. This Act may be called the Reserve Bank of India (Amendment) Act, 1955.

2. In section 2 of the Reserve Bank of India Act, 1934 (hereinafter referred to as the principal Act), after clause (b), the following clause shall be inserted, namely:—

II of 1912. “(bb) “co-operative credit society” means a society registered or deemed to be registered under the Co-operative Societies Act, 1912 or any other law relating to co-operative societies for the time being in force in any part of the territories to which this Act extends, the primary object of which is to provide financial accommodation to its members and includes a cooperative land mortgage bank.”

3. In section 6 of the principal Act, the words “and a branch in London” shall be omitted.

4. In section 8 of the principal Act, in clause (a) of sub-section (1), for the word “two” the word “three” shall be substituted.

5. In sub-section (3) of section 13 of the principal Act, for the words “in his absence” the words “if for any reason, he is unable to attend” shall be substituted:—

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6. In section 17 of the principal Act,—

(a) in clause (4),—

(i) after the words "State co-operative banks" the words LXIII of and figures "State Financial Corporations established under 1951. the State Financial Corporations Act, 1951" shall be inserted;

(ii) in sub-clause (c), after the words "the Bank" the words "or as are fully guaranteed as to the repayment of the principal and payment of interest by a State Government" shall be inserted;

(iii) in sub-clause (d), for the words "a cash credit or overdraft granted" the words "a loan or advance made" shall be substituted;

(b) for clause (4A), the following clause shall be substituted, namely:—

"(4A) the making of loans and advances out of the National Agricultural Credit (Long Term Operations) Fund and the National Agricultural Credit (Stabilisation) Fund established under section 46A and section 46B respectively for the purposes specified in the said sections."

7. After section 46 of the principal Act, the following sections and 46B shall be inserted, namely:—

"46A. (1) The Bank shall establish and maintain a Fund to be known as the National Agricultural Credit (Long Term Operations) Fund to which shall be credited—

(a) an initial sum of ten crores of rupees by the Bank; and

(b) such further sums of money as the Bank may contribute every year:

Provided that the annual contribution during each of the five years commencing with the year ending on the 30th day of June, 1956 shall not be less than five crores of rupees:

Provided further that the Central Government may, if the circumstances so require, authorise the Bank to increase or reduce the amount of its annual contribution in any year.

(2) The amount in the said Fund shall be applied by the Bank only to the following objects, namely:—

(a) the making of loans and advances to State Governments for subscribing directly or indirectly to the share capital of a cooperative credit society and repayable on the expiry of fixed periods not exceeding twenty years from the date of making such loan or advance;

(b) the making to State cooperative banks of loans and advances for agricultural purposes, repayable on the expiry of fixed periods not being less than fifteen months and not exceeding five years from the date of making such loan or advance, against such securities as may be specified in this behalf by the Bank:

Provided that such loans and advances are fully guaranteed as to the repayment of the principal and payment of interest by the State Government;

(c) the making to Central Land Mortgage Banks of loans and advances repayable on the expiry of fixed periods not exceeding twenty years from the date of making such loan or advance:

Provided that such loans and advances are fully guaranteed as to the repayment of the principal and payment of interest by the State Government:

(d) the purchase of debentures of Central Land Mortgage Banks:

Provided that such debentures are fully guaranteed as to the repayment of the principal and payment of interest by the State Government.

Explanation: For the purposes of this section, a Central Land Mortgage Bank includes an institution engaged in the grant of loans on the mortgage of agricultural land and declared as such by the State Government in this behalf.

46B. (1) The Bank shall establish and maintain a Fund to be known as the National Agricultural Credit (Stabilisation) Fund to which shall be credited such sums of money as the Bank may contribute every year: National Agricultural Credit (Stabilisation) Fund.

Provided that the annual contribution during each of the five years commencing with the year ending on the 30th day of June, 1956 shall not be less than one crore of rupees:

Provided further that the Central Government may, if the circumstances so require, authorise the Bank to increase or reduce the amount of its annual contribution in any year.

(2) The amount in the said Fund shall be applied by the Bank only to the making to State cooperative banks of loans and advances repayable on the expiry of fixed periods not being less than fifteen months and not exceeding five years from the date of making such loan or advance and on such terms and conditions as may be specified in this behalf by the Bank:

Provided that no such loans or advances shall be made—

(a) except for the purpose of enabling the State cooperative banks to pay any dues in respect of bills of exchange and promissory notes purchased or rediscounted by the Bank under clause (2) of section 17 or loans and advances made to them by the Bank under clause (4) of section 17, and unless, in the opinion of the Bank, the State Cooperative banks are unable to pay such dues in time owing to drought, famine or other natural calamities; and

(b) unless such loans and advances are fully guaranteed as to the repayment of the principal and payment of interest by the State Government."

Amendment of section 47, Act II of 1934. 8. In section 47 of the principal Act, for the words "and such other contingencies as" the words "and for all other matters for which provision is to be made by or under this Act or which" shall be substituted.

Amendment of section 52, Act II of 1934. 9. In sub-section (1) of section 52 of the principal Act, the words "if appointed by it or at the expense of the Central Government, if appointed by that Government" shall be omitted.

Insertion of new section 54A in Act II of 1934. 10. After section 54 of the principal Act, the following section shall be inserted, namely.—

Delegation of powers. "54A. (1) The Governor may, by general or special order, delegate to a Deputy Governor, subject to such conditions and limitations, if any, as may be specified in the order, such of the powers and functions exercisable by him by or under this Act or under any other law for the time being in force as he may deem necessary for the efficient administration of the functions of the Bank.

(2) The fact that a Deputy Governor exercises any power or does any act or thing in pursuance of this Act shall be conclusive proof of his authority to do so."

Amendment of the First Schedule to the First Schedule to Act II of 1934. 11. In the First Schedule to the principal Act in paragraph 3 for the word "Kashmir" the words "Jammu and Kashmir" shall be substituted.

STATEMENT OF OBJECTS AND REASONS

The Reserve Bank of India had appointed in August 1951 a Committee of Direction for conducting an all-India rural credit survey. The Committee's General Report was published in December 1954. The Report makes comprehensive recommendations in relation to numerous aspects of the problem of rural credit. The recommendations envisage a complete reorganisation of the Cooperative structure on certain lines. The principle of State partnership at all levels of the cooperative structure is postulated as a prerequisite for the adequate success of the cooperative organisation. It is contemplated, as a part of the integrated solution of the rural credit problem, that the Reserve Bank should shoulder certain specific responsibilities calculated to enable it to play its due role in the reorganisation of the cooperative structure and in enlarging and facilitating the supply of rural credit through it. The Reserve Bank of India has agreed to shoulder these responsibilities and this Bill seeks to empower it to carry them out.

2. The Bill provides for the setting up of a National Agricultural Credit (Long Term Operations) Fund by the Reserve Bank. The amount in the said Fund will be applied exclusively for the making of loans and advances to State Governments for subscribing to the share capital of cooperative credit societies, for the making of medium term loans to State cooperative banks for agricultural purposes and for the making of long term loans and advances to Central Land Mortgage Banks. It is also provided that a second Fund called National Agricultural Credit (Stabilisation) Fund should be set up by the Reserve Bank the amount therefrom being applied exclusively for the making of medium term loans and advances to State cooperative banks to enable them to convert short term credit into medium term credit whenever necessary owing to drought, famine or other like calamities. Along with these and consequential amendments, other amendments of a routine nature which were due to be made in the Act are promoted in this Bill. One such amendment is to remove the present obligatory provision in the Reserve Bank of India Act to maintain a branch in London having regard to the changed status of the country.

NEW DELHI;

The 14th April, 1955.

C. D. DESHMUKH

M. N. KAUL,
Secretary.

